



**Comments of American Consumer Institute Center for Citizen Research  
Regarding Docket No. RM2020-9**

**Submitted to the United States Postal Regulatory Commission  
December 15, 2020**

The American Consumer Institute (“ACI”) hereby submits these comments to address issues surrounding potential modifications to the Postal Service’s costing methodologies.

In ACI’s view, this exercise undertaken by the Commission to consider technical adjustments to existing models through discussions in a video technical conference and subsequent orders is critical in serving the Postal Service’s broader objectives to ensure proper cost coverage and fiscal sustainability across its wide array of product segments, and particularly competitive market items.

The Postal Service’s ongoing financial challenges, as demonstrated by the annual net losses, and the disparities witnessed between total operational expenses and the agency’s revenues, suggest that the *status quo* costing management procedures, including those pertaining to peak-season spikes in activity are insufficient and need modification to reflect the realities of today’s logistics and delivery markets.

In 2020, the market circumstances presented by the COVID-19 pandemic have precipitated package delivery fluctuations that reflexively mirror that of past peak season observations. Most recently in August, September, October competitive parcel deliveries exceeded same-period-last-year marks by 39.4%, 36.1%, and 29%, respectively.<sup>1</sup>

More broadly for FY2020, in relatively continual peak parcel conditions, USPS package shipments grew by 1.2 billion pieces in a year that saw total delivery volume fall by 9.4%.<sup>2</sup> Such declines in consumption on a grand scale would ordinarily present the opportunity for a shrewdly managed and prosperous firm to achieve cost savings, yet oppositely in the case of the USPS, the system has only shown to be increasingly more costly.

The peak period and pandemic markets demonstrate the lack of the Postal Service’s grasp on parcel segment monetary impacts to key operational inputs, including the requisite labor, staff, facilities, equipment, transportation and more. In order to ensure accuracy and completeness

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<sup>1</sup> USPS Preliminary Financial Information, Unaudited, August, September, and October 2020.

<sup>2</sup> USPS Form 10-K FY 2020.


of expense management, it behooves the Commission to revise rules to provide enhanced assurances that costs are paid for by the relevant products.

As ACI has previously argued, the agency's costing insufficiencies create downstream vulnerabilities that should be of concern to the Commission, including apparent incentives "to engage in shifting revenues and profits from market dominant services to competitive services, as well as shifting costs and risk from competitive services to market dominant services."<sup>3</sup>

From examining the empirical evidence showing that increases in package delivery have contributed to a seasonal decline in the earnings of dominant services earnings, it would appear that the parcel segment is not carrying a sufficient share to cover its overhead costs. Rebalancing these overhead costs – shifting overhead costs from dominant services to competitive services – would better ensure USPS' fiscal sustainability across the wide array of product segments, as well as focus USPS to better manage its costs.

Thank you for the opportunities provided by the Commission to contribute our organization's viewpoints on the vast challenges at hand for the U.S. Postal Service, and the potential remedies that can best serve the agency's vast and diverse consumer base.

Respectfully submitted,



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<sup>3</sup> Comments of American Consumer Institute Center for Citizen Research, Regarding Docket No. RM2017-3, Submitted to the United States Postal Regulatory Commission, January 31, 2020.